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Tax-Collection Firm Linebarger Goggan Uses Unique Model

BY GINA PASSARELLA

Of the Legal Staff

While 1,600 employees in a 130-attorney practice might seem like an inefficient way to run a law firm, Linebarger Goggan Blair & Sampson markets its business model as one of the most efficient ways for its clients to get the results the firm aims to produce.

Linebarger Goggan opened in Texas in 1979 and has focused on real estate tax collection ever since. It now handles tax collections, foreclosures and related areas of law for municipalities across the country.

The firm's first expansion outside of Texas was to Philadelphia in 1997. The office started with about four people and has now grown — as the work demand grew — to a staff of 50, including seven attorneys.

The impetus for opening a regional office was that the firm had become involved in a city of Philadelphia project focusing on delinquent tax liens. In 1997, the city sold a bundle of delinquent tax liens to a local bank.

Linebarger Goggan's Philadelphia office managing partner Sharon Humble said the firm worked on that collections project with the city, the bank and the School District of Philadelphia.

In September, the city of Philadelphia teamed up with Linebarger once again to implement a new tax initiative to collect delinquent property and business taxes. The firm's current contract with the city is for collections of delinquent real estate taxes. The contract was initiated for fiscal year 2005, and has had a maximum overall spending limit of \$10 million.

After going through the normal collections process, the firm last week filed the first batch of lawsuits against those tax-

payers who haven't paid up. The 100 suits represent \$3.6 million in delinquent real estate taxes. The city and the firm said this was the first step in the real estate tax foreclosure process. They expect to file more lawsuits in the coming months against nearly 23,000 delinquent properties, seeking a grand total of \$235 million.

As part of its contract with the city, Linebarger Goggan has been trying to collect from some of the delinquent taxpayers for three years. They helped set up a financial hardship payment plan for those who couldn't pay everything up front. Once that process was exhausted and it seemed clear the taxpayers wouldn't pay up voluntarily, the firm initiated suits, Humble said.

So what is the benefit of Linebarger Goggan to cities that say they don't have the monetary resources or manpower to collect the taxes themselves?

"Our collection fee is statutorily enabled," Humble said.

The firm works on a pure contingency basis and only gets paid if it collects the taxes. So if a taxpayer owed \$100, Linebarger Goggan would send that person a bill for \$118 to include its fee, she said.

"It's the delinquent taxpayers paying our bills," she said.

Once starting with a new client, the firm recoups its investment gradually, Humble said. It took a few years to see a return on its investment in Philadelphia. When the firm first started in the city with the tax lien secu-



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ritization, Humble said, it was paying for all of the mailings that went out.

It is a big advantage for the firm, however, to have the technology in-house, she said.

Nationwide, the firm has probably invested about \$20 million in information technology services to create its own proprietary software. Humble said Linebarger Goggan is at the cutting edge of the collections technology because it has been evolving with the software since the 1980s. There are over 200 information technology personnel employed by the firm.

So while there are other small law firms who have a similar practice, Humble said her firm is the only one of its kind that has the collections technology in-house. In any one matter, the start of the firm's work is the same as what a normal collection agency would do, but attorneys are involved at each step.

Humble said lawyers sign the very first collection letters that go out. She said it pays to have the extra backing of a law firm.

"Debtors know collection agencies can't file suits," she said.

Although Linebarger Goggan is a boutique firm, Humble still refers to it as multi-disciplinary because the attorneys focus on litigation, real estate law, municipal law and bankruptcy issues.

While the practices are similar to some large-firm areas of expertise, Humble said Linebarger Goggan hasn't received any merger inquiries from large firms.

The firm has set up ancillary offices that are more akin to a customer service environment so that taxpayers can come in and speak with someone privately about their affairs and feel more comfortable than going to a law firm setting, she said.

In the Philadelphia office alone, there are about 100 to 120 walk-ins a day, and there

are about 50,000 cases filed annually, firmwide, Humble said.

Large law firms wouldn't want that kind of traffic in and out of their offices, she said.

Most industry analysts who spoke to *The Legal* said they hadn't heard of any other firms who do work similar to Linebarger Goggan.

"That's like one big collection agency and then they handle the legal work related to it," Cherry Hill, N.J.-based consultant Joel A. Rose said.

While it may be semantics, Humble said Linebarger Goggan is a law firm first but also happens to have the collections technology in-house.

Regardless of what you call it, plenty of cities are calling on Linebarger Goggan to handle their collection work.

At the fall meeting of the U.S. Conference of Mayors in Trenton, N.J., the firm was named a platinum partner and will be one of the conference's preferred providers. •